

March 15, 2002

Mr. Charles J. Kershaw, Jr.  
Assistant Treasurer  
Unitil Service Corporation  
6 Liberty Lane West  
Hampton, NH 03842-1720

Re: REQUEST FOR PROPOSAL (RFP)  
Fitchburg Gas and Electric Light Company (FG&E) Lead/Lag Study

Dear Mr. Kershaw:

I am pleased to submit to you a proposal to provide you with a Lead/Lag study for FG&E with the Massachusetts Department of Telecommunications and Energy (DTE). My testimony and study will support the Company's cash working capital requirement based on a lead/lag study for the operations of FG&E. My study will represent the amount of funds used in sustaining the company's operations from the time expenditures are made in providing service to the time revenues are received as reimbursement for these services. The study entails a comprehensive analysis to determine the rate year transactions to determine the "net lag days" between: (a) the time lag between service rendered and the receipt of revenue for such service; and (b) the time lag of recording of O & M Expenses and the payment of such costs.

The fee for my direct testimony and exhibits will be \$42,000 on a cost not-to-exceed basis for a complete lead/lag study and testimony. I have excluded from this quote the time and expense associated with meetings and travel expenses that may be necessary during the preparation of this study. While my quote represents the maximum amount for the preparation of my study and direct testimony in ready-to-file form, the billings will be based upon actual hours logged to the case if they are less than anticipated.

As you know, a considerable amount of a rate case expense usually occurs after filing direct testimony and exhibits. It is difficult to quantify precisely the amount of time necessary for specific activities following the submission of the direct testimony. Time is usually required for responding to interrogatories, analyzing testimony of opposing witnesses, preparing rebuttal testimony and attending hearings for cross-examination. These post-filing activities will be billed at the following hourly rates, plus out-of-pocket expenses:

Matthias Jost	\$85
Clerical	36

The above \$42,000 assumes that all three phases in paragraph 1.2 will be conducted by me in ready-to-file form. If I do not complete all three phases, then the costs will be reduced accordingly based on the above hourly rates.

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I trust that this proposal will be acceptable to you. If you have any questions concerning the scope of my testimony and fees, please call.

Very truly yours,



Matthias Jost  
121 South Woodstock Drive  
Cherry Hill, NJ 08034-3719  
856-795-6035

**Attachments**

- (1) Response to Request for Proposals
- (2) Resume

E-mail: [matthias.jost@att.net](mailto:matthias.jost@att.net)  
E-mail: [matthias.jost@att.net](mailto:matthias.jost@att.net)

## References to Request for Proposal

### Items 1.1

The work product of this request will be in a regulatory filing format for FG&E Electric and Gas Divisions.

### Item 1.2

The total cost of filing electric and gas lead-lag studies are outlined in my cover letter. It is assumed in my cover letter that my studies will not address lead or lag days related to revenue, cost of gas, or purchased power. However, if testimony is required on the whole study by me, there will be a review of those items in order to incorporate them into the study.

#### 2.1

(a) Matthias Jost

(b) 121 South Woodstock Drive  
Cherry Hill, New Jersey 08034-3719

(c) Matthias Jost, Regulatory Economist

Telephone No. 856-795-6035

E-mail address: mandj1962 @AOL.com

Contact person: Matthias Jost

(d) I am an independent contractor doing business out of my home in Cherry Hill, New Jersey. In the past two years I have been a subcontractor for P. Moul & Associates, 251 Hopkins Road, Haddonfield, New Jersey, 08033.

(e) I have prepared or supervised the preparation of rate filings in over 16 jurisdictions. I provided expert testimony in matters of accounting, income taxes, cost of service and rate design, depreciation, all rate base components, including lead-lag studies, where required. Although a consultant for United Water (Regulatory Economist) I was usually the project manager of their rate cases overseeing the exhibits and testimony of all witnesses and, in addition, testified as the accounting witness incorporating the results into a total revenue requirement.

### Item 2.2

Matthias Jost, Regulatory Economist (Resume attached)

Clerical (support person of P. Moul and Associates)

Clerical (Joyce Jost who has over 20 years secretarial experience)

#### Item 2.3

The project manager will be Matthias Jost, 121 South Woodstock Drive, Cherry Hill, NJ 08034-3719. E-mail address. Mandj1962@AOL.COM. Telephone Number 856-795-6035. I will be the sole consultant plus the support persons outlined above.

#### Item 2.4

The purpose of this project is to determine the need for investor funds used in sustaining the operation of both FG&E's electric and gas division in Massachusetts from the time expenditures are made in providing service to the time revenues are received as reimbursement for these services. The lead-lag study requires a comprehensive analysis to the historical year's transactions to determine "net lag days" between: a) the time lag between services rendered and the receipt of revenues for such services; and b) the time lag between the recording of labor, materials and other costs and the payment of such costs. For example, if revenues are received 50 days after services are rendered and service period expenses are paid 25 days after services are rendered, the net expense recovery lag is 25 days (i.e. investor funding is required for 25 days of service period costs). The net lag days are multiplied by the average daily operating expenses of the base year (adjusted for the rate year (pro forma). To produce the cash working capital required in maintaining daily operation. The cost recording date is a critical point in measuring investor funding of operating costs. The cash working capital produced by the lead-lag study must be compatible with other rate base components to which it is added to express the total amount of investor capital used in providing utility services. To achieve this compatibility, the lead-lag analysis must be customized to fit the particular conditions in which the rate base is being developed. Typically three methods are employed by regulatory agencies to determine cash working capital. The first, and perhaps the most well known, is the "FPC 45 day formula" which was adopted by the old Federal Power Commission in 1939. It assumes that the utility receives cash for services rendered 45 days after the midpoint of the service period (monthly billing). The second is the balance sheet approach, which is merely a calculation of the difference between current assets and current liabilities. If current assets exceed current liabilities, it is presumed that the difference is financed with investor provided capital and as such is appropriate for inclusion in rate base.

#### Item 2.5

All projects will be performed in accordance with the company's requirement.

Item 2.6

I have presented expert testimony and exhibits in approximately 16 states and The New York City Water Board. I am qualified and would be allowed to testify in all other states if required.

I have provided consulting services to the following companies

United Water Arkansas  
United Water New Jersey (a)  
United Water Delaware (a)  
United Water New York  
United Water New Rochelle  
United Water Pennsylvania (a)

(a) indicates lead-lag studies

Contact Names:

Robert J. Iacullo, Vice President Operations, 1-201-767-2842  
Walton F. Hill, Vice President Regulatory Business, 1-201-986-4747

As my resume indicates I did consulting work for Middle West Service Company for the following clients:

Delmarva Power and Light Company  
Southwestern Electric Power Company  
Northern Indiana Public Service Company  
Paradise Valley Water Company  
Wisconsin Michigan Power Company  
Gulf States Utilities, Inc.  
Commonwealth Edison  
BASF Wyandote Corporation

Contact Name:

Philip A. Rock, Group Vice President  
Telephone unknown

Item 2.7 and 2.8

I will comply with all the requirements outlined.

Item 3.0

Agreed.

Matthias Jost  
121 South Woodstock Drive  
Cherry Hill, NJ 08034  
(856) 795-6035  
mandj1962@aol.com

I am a consultant with solid ratemaking experience. My strengths include writing testimony, settling rate issues without the need for hearings and working with utility staff on a friendly and professional basis. I have strong communication skills both oral and written, strong analytical and interpersonal skills, good rapport with regulators in the states where I am involved with filing rate applications.

#### Employment Experience

1994 to date - As a regulatory economist, I prepared and/or supervised rate increase applications, supporting documents and exhibits; provided expert testimony in matters of accounting, income taxes, cost-of-service and rate design for United Water subsidiaries operating in the states of Pennsylvania, Indiana, Delaware, Florida, New York, Arkansas, Missouri, New Jersey, and Idaho as well as the New York City Water Board.

1976 - 1994 - As a rate consultant with General Waterworks Management, I prepared and/or supervised rate increase applications, supporting documents and exhibits; provided expert testimony in matters of accounting, income taxes, cost of service and rate design in Maryland, Pennsylvania, Indiana, Delaware, Florida, New York, Arkansas, Missouri, New Jersey, the New York City Water Board and Idaho. I established amicable working association with commission staff members to facilitate the steady passage of rate filings. I am able to deal with more complex issues in rate matters, i.e. any new or novel approach. I communicated with commission staff after senior executives botched up the sale of a water company to a municipal district and, as a result, this sale was completed on time.

1974 - 1976 - As a rate consultant with Middle West Service Company, I rendered professional services to utilities in regard to rates, cost of service, financial forecasts, statistical analyses, and cost analyses. This service was performed for electric, gas and water utility clients in Louisiana, Texas, Arkansas, Illinois, Wisconsin, Michigan, Indiana, Delaware, and Arizona.

1969 - 1974 - As supervisor of rates and revenues for American Water Works Service Co., Inc., I supervised the preparation of rate case data and exhibits; maintained contact with regulatory bodies and supervised compliance with requirements regarding rates; directed and supervised necessary studies for hearings and rate cases and coordinated the work of all departments or consulting firms. I appeared as an expert witness before regulatory agencies.

1957 - 1969 - As a rate accountant at Columbia Gas System I prepared exhibits and related data for presentation at formal rate proceedings before various regulatory agencies including those pertaining to revenues, depreciation, accrual rates, cost of service, and numerous accounting matters.

Education – University of Pittsburgh, Pittsburgh, PA – Bachelor of Science Degree in business

Fluency in German